

The Dot Plot Thickens | June 2026

“If I have made myself too clear, you must have misunderstood me.”

Alan Greenspan

There’s a new sheriff at the Fed, and changes are afoot. Albeit not the changes President Trump envisioned from his pick for the seat. In his first meeting as Fed Chair, Warsh struck a decidedly hawkish tone, emphatically reanchoring the Fed’s commitment to 2% inflation and acknowledging that it had missed that target for 5 consecutive years.

The policy rate was left unchanged, but the institution itself is being rebuilt from the studs with a new philosophical manifesto. Five new task forces have been established to overhaul how the Fed conducts and communicates monetary policy, suggesting significant structural changes are on the way.

Notably, the Chairman abstained from adding a dot to the plot, a signal that the dot-plot might be on borrowed time. It seems forward guidance is over, leaving bond traders on their own, with the Fed no longer lighting the path.

[Nineties throwback.](#)

Back when some of us started trading in the early nineties, central banks operated in mysterious ways. There weren’t even scheduled meetings and press conferences, and policy rates could change at any time.

In the 1980s, the Fed operated with deliberate opacity, and the market had to infer policy from what the Fed did rather than what it said. Money market traders were left to figure out policy changes based on the central bank’s cash management trades.

Over the years, central bank communication and forward guidance steadily improved to the point where they coddled and spoon-fed the market. This led to a whole generation of bond traders who never had to decode and interpret economic data to determine what the central bank would do.

[The dot-plot thickens.](#)

While we don’t expect Chairman Warsh to roll back the clock 30+ years, we do expect less hand-holding from the Fed, starting with the dot plot being relegated to the scrap heap.

The Fed began publishing individual FOMC members’ projections for policy rates in 2012, a practice that Chairman Warsh has shown particular distaste for. In practice, the dots have proven to be a poor indicator of the future policy rates. But despite its poor track record, it does anchor market expectations and increase volatility when the dots change.

Warsh’s other concern is that the Fed becomes a prisoner of its own predictions rather than dynamically responding to incoming data. He believes that if the Fed waits until the scheduled meetings, rather than having a pre-published path, it encourages ‘incremental deliberation’ and prevents the central bank from compounding errors.

There's a committee for that.

Another part of his philosophical overhaul has been the creation of five task forces, each aimed at reviewing a different part of how the Fed operates: communications, balance-sheet management, data sources, productivity and jobs, and inflation framework/approach.

In terms of balance-sheet management, the Chairman has made clear that he is not a fan of quantitative easing and desires a reduction in the Fed's 'bulbous' balance sheet. Instead, he prefers to incentivize lending, presumably by deregulating and reducing capital requirements. That leaves the task force with the thorny problem of what to do with treasuries and mortgage-linked securities on the Fed's balance sheet.

The data sources task force is reviewing the current data and indicators the Fed relies on and exploring greater use of real-time data, new technologies, and alternative measures of economic activity and inflation (cue the alternative facts jokes). Meanwhile, another group is tasked with analyzing how the Fed measures inflation and how policymakers interpret inflation data. For now, we are left wondering whether these task forces will conclude that inflation is higher or lower than currently believed.

But as we all know, these days everything is about AI. The productivity and jobs task force's purpose is to assess the impact of AI and other transformative technologies. A key feature of Chairman Warsh's thinking is the belief that the United States may be entering a significant productivity boom driven by AI, capital investment, and deregulation. He believes growth could exceed conventional forecasts while inflation falls, leading to higher real wage growth. In this scenario, the fed funds rate would likely be lower than it is now.

Hawk or Dove?

This begs the question: Is the Chairman a hawk or a dove?

Our view is that he does not neatly fit into either label. Instead, we believe that he is a market-oriented inflation hawk who wants a smaller, simplified Fed and is betting that productivity gains, growth, and deregulation will deliver strong economic growth without causing persistent inflation.

Our early conclusion is that the Treasury market will be more volatile, as traders balance the Chairman's limited patience for above-target inflation versus his long-term view that a surge in productivity is forthcoming. He is certainly a complicated man. But perhaps that is what makes him well-suited to lead the Fed, as we live in complicated times.

The Month of June.

Credit.

June was the biggest new issue month in Canadian corporate bond history, with \$35 bn of supply hitting the domestic market. The star of the show was Amazon, with a record-breaking inaugural \$14 bn deal that eclipsed Google's \$8.5 bn issuance in May. The banks chipped in with \$6.6 bn of supply, with REM, Keyera, Sun Life, TC Energy, Chubb, and Corebridge also coming to market with sizable deals.

The YTD total corporate issuance stands at \$120 bn, making it the fourth-largest year on record, with six months still to go. The market absorbed both the deluge of supply and the macro volatility without a major correction. Canadian spreads finished the month a modest 4 bps wider, with the long-end and energy-adjacent issuers underperforming.

Investment-grade credit spreads:

- Canadian spreads widened 4 bps to 87 bps.
- US spreads widened 2 bps to 74 bps.

Interest Rates.

Canadian rates traded within a narrow range, with the market still expecting the next BoC move to be a hike. For now, the debate is whether they make that move this year or next.

The unexpectedly hawkish tone from the new Fed Chair spooked markets, pushing US short-end yields higher. By month-end, bond traders had priced in 1.5 hikes by year-end.

- Canadian 2y finished at 2.75% (-3 bps) and the 10y at 3.38% (-3 bps)
- US 2y finished at 4.18% (+17 bps) and the 10y at 4.47% (+3 bps)

The Funds.

Algonquin Debt Strategies Fund.

The widening in credit was more than offset by the yield earned and profits from active trading, leaving the Fund on the right side of zero for the month.

Portfolio Metrics:

- 4.5-5.0% yield
- Average credit rating: BBB+
- Average maturity: 1.9y
- IR Duration: 0.84y

	1M	3M	6M	YTD	1Y	3Y	5Y	10y	SI
X Class	0.13%	1.22%	1.37%	1.37%	4.04%	8.27%	5.43%	6.20%	7.86%
F Class	0.08%	1.03%	1.04%	1.04%	3.30%	7.23%	4.60%	5.32%	NA

* As of June 30th, 2026

The Algonquin Debt Strategies Fund LP was launched on February 2nd, 2015. Returns are shown on 'Series 1 X Founder's Class' since inception and for 'Series 1 F Class' since May 1st, 2016, and are based on NAVs in Canadian dollars as calculated by SGGG Fund Services Inc. net of all fees and expenses. For periods greater than one year, returns are annualized.

Algonquin Fixed Income 2.0

The Fund benefited from having minimal US duration, with rate exposure concentrated in Canada. The gains from the modest drop in CAD rates were offset by the widening of credit spreads, with the net return a combination of the yield earned and gains from active trading.

Portfolio Metrics:



- 4.5-5.0% yield
- Average credit rating: A-
- Average maturity: 2.6y
- IR Duration: 3.8y

	1M	3M	6M	YTD	1Y	2y	3y	5y	SI
F Class	0.23%	1.38%	1.27%	1.27%	3.98%	6.59%	7.46%	3.98%	4.88%

* As of June 30th, 2026

Algonquin Fixed Income 2.0 Fund is an Alternative Mutual Fund and was launched on December 9th, 2019. Returns are shown for Class F since inception and are based on NAVs in Canadian dollars as calculated by SGGG Fund Services Inc., net of all fees and expenses. Investors should read the Simplified Prospectus, Annual Information Form, and Fund Facts Documents and consult their registered investment dealer before making an investment decision. Commissions, trailing commissions, management fees, and operating expenses all may be associated with mutual fund investments. An Alternative Mutual Fund is not guaranteed, its value changes frequently and its past performance is not indicative of future performance and may not be repeated. Payment of quarterly distributions is not guaranteed and paid at the discretion of the manager; therefore, it may vary from period to period and does not infer fund performance or rate of return.

Looking Ahead.

The key risk to Canadian credit is supply, particularly if more hyperscalers tap the domestic market for capex funding. There have been rumours of Meta coming to Canada with a deal, but whether that materializes in the near term remains to be seen. The summer offers banks a window to issue before August earnings, though the US market is more attractive from a spread perspective and could prompt issuance to head south.

So far this year, issuers have capitalized on attractive credit valuations and a receptive market to bring a record amount of supply. We suspect the pace of deals will slow over the summer, allowing the market to digest the new deals and providing an opportunity for spreads to grind tighter. We have tactically increased credit exposure but remain prudent given current spread levels and the aforementioned supply risks.

On rates, we suspect the BoC holds the line through the summer, with the 'hike this year or next' debate unlikely to resolve before the autumn data rolls in. South of the border, Chairman Warsh's early hawkishness suggests the Fed is in no rush to cut, even as his longer-term productivity thesis argues for a lower terminal rate than the market currently prices. We expect that the tension between near-term hawkishness and a more dovish structural view will keep US rate volatility elevated over the summer, even as the dot plot itself fades into irrelevance.

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